

## **FHA Initial Sponsored Loan Correspondent (Brighten Lending will assist in submitting package to HUD)**

This Application Package is intended to aid you understanding the requirements associated with FHA Title-II Mortgagee Approval. Other sources of information not included with this package are available through HUD's- [www.hud.gov/groups/lenders.cfm](http://www.hud.gov/groups/lenders.cfm)

Company Name			
FHA/HUD ID #, If previously FHA Approved			
Main Office Address	City	State	ZIP
Contact Name	E-mail Address		
Phone Number	Fax Number		

### **HUD Reference Material:**

- HUD form 11701, Application for Approval FHA Lender (Loan Correspondent Approval).
- Handbook 4060.1, Rev 2: FHA Title II Mortgagee Approval Handbook

### **FHA Sponsored Loan Correspondent**

A Loan Correspondent mortgagee is an institution that has as its principal activity as the origination of HUD/FHA-insured mortgages for sale or transfer to a Sponsor(s).

A Sponsor of a Loan Correspondent must be an approved mortgagee that is also authorized to participate in the Direct Endorsement Program. Brighten Lending is DE FHA approved and would be your Sponsor.

The Sponsor (Brighten Lending) is responsible to the Department for the actions of its Loan Correspondent(s) in originating insured mortgages. A Sponsor is required to supervise and perform quality control reviews of its Loan Correspondent(s). This includes periodic visits and meetings to assure that the Loan Correspondent is in compliance with the Department's loan origination requirements and prudent lending practices. The Sponsor performs the loan underwriting function on behalf of the Loan Correspondent.

**Application Package Checklist (Top to Bottom):**

\_ HUD form 11701, Application for Approval FHA Lender (Loan Correspondent Approval). Broker/Seller must complete with required supportive documentation.

\_ Government AE Sponsorship Form. **Brighten Lending to provide.**

\_ Application fee made payable to the U.S. Dept. of Housing and Urban Development. Your Federal Tax Identification Number must appear in the memo section of the application check.

\_ Evidence of minimum knowledge in FHA lending – at least one employee to have taken FHA certified courses and be certified that they have an adequate knowledge in FHA Programs/Processes from the application/disclosures, to approval and closing.

\_ FHA Training in place for staff primarily processing and originating FHA loans. This can be ongoing.

\_ Audited Financial Statement (see Net Worth Requirements - page ). Management Certified Balance Sheet is required if financials are more than six (6) months old.

\_ FHA Correspondent Lender Agreement. – Must be executed and attached.

\_ Quality Control Plan: Mortgagees seeking Sponsored Loan Correspondent approval are required to submit evidence of their Quality Control Plan. Refer to chapter 7 of HUD Handbook 4060.01 REV-2 for more information. (If you need assistance with Quality Control Plan, contact Brighten Lending for assistance).

\_ Resumes: All owners and officers must provide resumes. At least one officer, with the at least three years of mortgage origination experience, must be located, on a full-time basis, at the site of the applying mortgagee.

\_ Credit Reports: Residential Mortgage Credit Report or Tri Merged Credit Reports on all officers, principles, or members and owners having 25% ownership or more ownership interest of the applicant. Credit must be satisfactory per HUD-FHA underwriting guidelines. Please address derogatory credit if applicable.

\_ Business Credit Report or a Dun and Bradstreet Report is required even if the applicant is a start up company. (If owners were involved in another mortgage business, a credit report must be obtained under the old company name). Please address derogatory credit if applicable.

\_ Evidence of Acceptable Office Facilities: Submit color photographs of the applicant's office facilities including signage, entrance, offices, equipment, exterior, interior etc . . .

\_ Floor plan, which may be hand drawn.

\_ Certification Letter signed by a senior corporate officer on the company's letterhead that states the following:

- A Certification that the mortgagee's Quality Control Plan is complete and meets all required elements. Provided by Broker/Seller.
- A Certification that the mortgagee's office facilities comply with HUD requirements as noted in HUD Handbook 4060.1 REV-2, paragraph 2-11. Provided by Broker/Seller.
- A Certification that the mortgagee nor any of its officers, directors, or principals have been denied an operating license or otherwise sanction by any licensing or regulatory body as noted in HUD Handbook 4060.1 REV-2 paragraph 3-2(A)(14). Provided by the Broker/Seller.

\_ A copy of state license for each state in which you intend on doing FHA business.

\_ Requirements for Limited Liability Companies and Partnerships require further explanation, please refer to below for additional guidance:

### **LLC Documents**

- ⌚ Articles of Organization
- ⌚ Operating Agreement that must include
  - Specify that the LLC consist of two or more members. A single member LLC is acceptable only if the member is a corporation consisting of two or more persons;
  - Specify a minimum term of existence of at least ten years;
  - Provide for succession;
  - Authorize continuance in the event of the withdrawal or death of a member; and
  - Specify that the LLC will not terminate until all FHA-insured mortgages have been transferred to another approved mortgagee.

**If Operating Agreement does not include these five (5) items, then, you may use the Sample Addendum below in addition to your Articles of Organization and Operating Agreement.**

### **ADDENDUM TO OPERATING AGREEMENT OF LLC**

This addendum dated **1/4/2005** is to amend certain articles of the operating agreement of the Company as follows:

Section "Duration" is amended adding the following at the end of the section: The company shall be in existence for a minimum period of not less than 10 years. The LLC shall at all times have not less than two members. Each member also agrees that in the event of a death of a member, any resignation, removal, expulsion, retirement or dissolution of a member or an adjudication that a member is incompetent, or any other

event that would cause the dissolution of the company, the remaining members shall continue the company under the terms of this operating agreement. All Title II loans held by this company will be transferred to an approved Title II mortgagee prior to the termination of (Company name) LLC.

Section "Management of Business" is amended adding the following at the end of section: (Members' Name) is also designated as the person that has exclusive authority to deal directly with HUD on the company's behalf. If for any reason (name) is unable to fulfill his\her duties then (member's name will succeed him\her as the full time manager of the company and be empowered as the entity to deal with HUD.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Signed \_\_\_\_\_ Date \_\_\_\_\_

Signed \_\_\_\_\_ Date \_\_\_\_\_

**End of Sample Addendum**

**FHA Application Fees:**

Make check payable to the U.S. Dept. of Housing and Urban Development. Be sure to include your Federal Tax Identification number.

Application Fees:

Initial or first time Approval: \$1000.00

Branch Office: \$ 300.00

Direct Lending: \$ 300.00

Annual Re-certification Fees:

Main Office: \$ 500.00

Branch Office: \$ 200.00

Direct Lending: \$ 200.00

### **Net Worth Requirements:**

A mortgage professional seeking approval as a Sponsored Loan Correspondent type mortgagee must have a net worth of **at least \$63,000**, plus \$25,000 for each branch office up to a maximum required net worth of \$250,000. All mortgagees must maintain liquid assets (cash, cash equivalents or readily convertible instruments) of 20 percent of their net worth up to a maximum amount of \$100,000. The Department does not consider a line of credit to be liquid assets, nor loans or mortgages held for resale by mortgagee.

**Liquid assets include cash on hand, checking deposits, savings accounts, certificates of deposit, and marketable securities.**

The Net Worth requirement is evidenced by the applicant's most recent audited financial statement. If the audited financial statements are more than six (6) months old must be accompanied by a management certified balance sheet. For more information on HUD's requirements for audited financial statements, please reference HUD Handbook 2000.04 REV-2, CHG-1 - Consolidated Audit Guide for Audits of HUD programs.

### **Example- Adjusted Net Worth Calculation**

Stockholder's Equity (Net Worth Per Balance Sheet) \$120,000  
Less Unacceptable Assets \$20,000  
Adjusted Net Worth (Per HUD Regulations) \$100,000  
HUD Net Worth Requirements \$63,000  
Excess Net Worth \$37,000

### **Approval Requirements – HUD:**

#### **Minimum standards required for approval:**

An applicant must satisfy the following requirements to obtain approval from the U.S. Department of Housing and Urban Development to originate; process and close FHA insured mortgage loans:

- A mortgagee seeking approval must be a corporation or other chartered institution, a permanent organization having succession, or a partnership (see HUD Handbook 4060.1 REV-2 for details on partnership requirements).

#### **Employees:**

- **An approved mortgagee must employ trained personnel that are competent to perform their assigned responsibilities.**

- Officers: Mortgagees are required to have one or more senior corporate officers with the authority over the mortgagee's loan origination and servicing operations. **The senior corporate officers must spend their full time on the mortgagee's operations. At least one senior corporate officer must have a minimum of three years experience in mortgage activities for which the mortgagee is seeking approval, or the equivalent training.**

#### **Staffing Requirements:**

- Mortgagees must have a staff of at least two employees so that their main or branch office(s) will be open to the public during normal business hours.
- **All employees of the mortgagee except receptionists, whether full time or part-time, must be employed exclusively by the mortgagee at all times, and conduct only the business affairs of the mortgagee during normal business hours.**

#### **Control and Supervision of Staff:**

Mortgagees are required to exercise control and responsible management supervision over their employees. The requirement regarding control and supervision must include regular and ongoing reviews of employee performance and work performed.

#### **Office Facilities**

A mortgagee's main and branch office facilities must:

- Have adequate office space and clerical assistance so those employees may perform their duties in a responsible business manner. This includes, but is not limited to, a desk, telephone, photocopying facilities, and stationary.
- Be in a location conducive to performing mortgage-lending business.
- Be located in a commercial space that is separate and apart from any other entity. A mortgagee may share general reception-type entrances or lobbies with another business entity.
- **Be clearly identified to the public so those mortgagors will know, at all times, exactly with which business entity they are doing business. This includes a business sign and other common means of identification used by a business entity.**
- **Display a fair housing poster.**

#### **Ineligible Participants**

An applicant is ineligible for approval if the mortgagee or any officer, partner, director, principal, or employee of the applicant mortgagee is:

- Suspended, debarred, under a limited denial of participation (LDP), or otherwise restricted under 24 CFR Part 24 or 25 or under similar provisions of any other Federal agency;

- Under indictment for, or has been convicted of, an offense that reflects adversely upon the applicant's integrity, competence or fitness to meet the responsibilities of an approved mortgagee;
- Subject to unresolved findings contained in a HUD or other governmental audit, investigation, or review;
- Engaged in business practices that do not conform to generally accepted practices of prudent mortgagees or that demonstrate irresponsibility; and
- Under investigation for any HUD-related violation to generally accepted practices of prudent mortgagees or that demonstrative irresponsibility.

**Fair Housing and other Federal laws:**

All mortgagees are required to comply with the *Fair Housing Act*, Executive Order 11063 on Equal Opportunity in Housing, the *Equal Credit Opportunity Act* (ECOA), the *Real Estate Settlement Procedures Act* (RESPA), the *Home Mortgage Disclosure Act* (HMDA), and all other Federal laws relating to the lending or investing of funds in real estate mortgages.

## **FHA Application Process/Flow - Brighten Lending will help coordinate the initial FHA Application Package**

### **File Flow:**

1. Applicant gathers necessary elements of list outlined above.
2. Applicant completes approval application and disclosures and gathers other necessary items.
3. Applicant forwards complete approval application with fees (payable to HUD) to Brighten Lending for review to the following address:

**Brighten Lending  
Attn: FHA Program Approval  
11100 Valley Blvd #218  
El Monte, CA 91731**

4. Brighten Lending reviews application package for completeness and accuracy.
5. If application package is complete and accurate, then Brighten Lending will issue Sponsor Letter and Funding Letter.
6. If application package is incomplete, applicant is contacted regarding deficiencies.
7. Once deficiency is corrected - then Brighten Lending will issue Sponsor Letter and Funding Letter and will forward HUD the Loan Correspondent application package.
8. If deficiency cannot be corrected, then application package is denied and returned to broker.
9. Loan Correspondent application package is sent via overnight service to Washington, DC for approval.
10. If HUD form 11701 signed by HUD official with Mortgagee Identification Number is received within 45 days from the date the package was received by HUD, then you may begin originating FHA-insured mortgage loans.
11. If HUD form 11701 is not received within 45 days from the date the package is received by HUD, then contact HUD for status.
12. If HUD is requesting additional information, applicant will respond to such requests directly to HUD.

13. **Brighten Lending is here to help you navigate through the FHA Correspondent Lender approval process.**

**ADDENDUM TO BRIGHTEN LENDING  
CORRESPONDENT BROKER AGREEMENT**

## ***Brighten Lending***

11100 Valley Blvd. #218, El Monte, CA 91731

Tel: (626) 452-0583 Fax: (626) 452-9079

Web-Site: [www.brightenlending.com](http://www.brightenlending.com) e-mail: info@brightenlending.com

**AGREEMENT FOR GOVERNMENT LOANS**

THIS FHA MORTGAGE AGREEMENT is entered into this \_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, between Brighten Lending, Its successors and/or assigns hereafter referred to as (Purchasor), and \_\_\_\_\_ hereafter referred to as ("Broker/Seller").

### **WITNESSETH**

WHEREAS, Brighten Lending in the conduct of its business as a HUD approved Direct Endorsed Mortgagee, desires to Sponsor \_\_\_\_\_, Mortgage Broker as a FHA Loan Correspondent;

WHEREAS, the parties agree that all future FHA Originated loans by Brighten Lending from Mortgage Broker shall be governed by the terms of this Agreement unless agreed to by the parties in writing before or at the time such purchases are made;

NOW, THEREFORE, in consideration of the mutual covenants and stipulations set forth herein, the parties agree as follows:

**1. LOANS ELIGIBLE FOR PURCHASE**

Seller may offer for underwriting/origination to Brighten Lending FHA loans which have been underwritten and approved-clear to close by a Brighten Lender Direct Endorsed underwriter. All loans are to be approved and closed according to standard agency regulations.

This Government Loan Addendum ("Addendum") is attached to and incorporated in that certain Loan Broker Agreement and all other addendum attached hereto (collectively, with this Addendum, the "Agreement") between the under signed Broker/Seller and BRIGHTEN LENDING. In addition to the terms and provisions of the Agreement, the following additional provisions apply to FHA loans and VA loans:

## **1. TERMS OF ENGAGEMENT:**

1.1. ( ) **Loan Correspondent (Check if applicable).** Broker/Seller is hereby engaged by BRIGHTEN LENDING as a Department of Housing and Urban Development Loan Correspondent to act and operate pursuant to the provisions of this Agreement and under the sponsorship of BRIGHTEN LENDING in accordance with 24 CFR Section 202.15 of the regulations of the Department of Housing and Urban Development. Broker/Seller hereby accepts the foregoing engagement and hereby represents to BRIGHTEN LENDING that the Broker/Seller has been approved (or Pending Approval and Final Approval required prior to accepting FHA loans) as a correspondent, as aforementioned, by the Secretary of the Department of Housing and Urban Development and meets and complies with all of the eligibility standards and requirements of the aforementioned regulation.

1.2. ( ) **VA Loan Agent (Check if applicable).** Broker/Seller is hereby engaged to act as a Lender/Agent of BRIGHTEN LENDING with respect to the origination and closing of VA guaranteed loans pursuant to 38 CFR Section 36.4348 (b)(9) of the regulations of the Department of Veteran's Affairs and in accordance with the Agreement. Broker/Seller hereby accepts the engagement and agrees to perform its duties and obligations in connection therewith in strict conformity with the provisions of this Agreement and the rules and regulations of the Department of Veteran's Affairs.

1.3. **Product Types.** Broker/Seller's engagement as a Loan Correspondent and/or Agent in accordance with the provisions of this Addendum shall be limited to loans secured by single family residential and primary occupied 1-4 dwelling units (including residential condominiums and planned units developments), which are insured or guaranteed under the provisions under the National Housing Act of 1934, as amended, and the Servicemen's Readjustment Act of 1944, as amended (collectively, "Eligible Loans"). The Eligible Loans shall be also subject to other limitations prescribed by applicable federal laws, rules, regulations and guidelines.

## **2. SPECIFIED DUTIES OF BROKER/SELLER.**

2.1. **FHA Loans .** As a HUD correspondent under the sponsorship of BRIGHTEN LENDING, but subject to the terms and provisions of this Addendum, Broker/Seller shall solicit Loan Application for, process and cause to be documented, closed, funded and sold to BRIGHTEN LENDING, eligible FHA loans. Broker/Seller shall undertake all such activities in strict conformance with the provisions of this Addendum, the rules and regulation of the Department of Housing and Urban Development and applicable law. All loan closings shall be undertaken by table funding or concurrent assignment procedures pursuant to which, upon closing, FHA Loans shall be concurrently assigned to BRIGHTEN LENDING by Broker/Seller and shall be funded with the proceeds made available for the purchase of such Loans by BRIGHTEN LENDING to Broker/Seller through loan and sale escrows approved by BRIGHTEN LENDING.

**2.2. VA Guaranteed Loans .** In the event that Broker/Seller acts as an agent of BRIGHTEN LENDING with respect to VA Loans, Broker/Seller shall solicit Applications for, originate, process, package and transmit to BRIGHTEN LENDING for underwriting, closing and funding, applicable Loan documents and credit and underwriting information. Broker/Seller shall undertake all such activities in accordance with regulations and rules of the VA, other applicable law and the policies and procedures of BRIGHTEN LENDING.

**2.3. Eligibility.** Each FHA Loan and VA Loan originated, produced, processed, and closed pursuant to this Agreement shall be fully eligible for FHA insurance or VA guarantee, as the case may be, and there shall not exist any event, fact or circumstance with can provide a basis to defense against any such insurance or guarantee coverage or grounds for withdrawal or termination of the same.

### **3. LOAN APPROVAL, PRICING AND DELIVERY.**

**3.1. Underwriting of Loans .** Broker/Seller shall separately screen applicants for the purpose of making a preliminary determination as to their eligibility for the FHA Loan or VA Loan, as the case may be, in accordance with both applicable eligibility requirements of the FHA or VA, as the case may be, and the underwriting standards and criteria of BRIGHTEN LENDING. However, notwithstanding any determination by Broker/Seller of a borrower/applicant's eligibility, as aforesaid, Broker/Seller shall have not authority to, and shall not, agree or otherwise commit to any borrower/applicant to provide any requested financing unless and until BRIGHTEN LENDING has given Loan approval.

**3.2. Loan Approval.** Broker/Seller shall lock in Loan applicants/borrowers with BRIGHTEN LENDING in accordance with procedures from time to time established by BRIGHTEN LENDING in its sole and absolute discretion. Loan approvals and commitments shall be undertaken by such procedures as may from time to time be established by BRIGHTEN LENDING in its sole and absolute discretion.

**3.3. Loan File - Documentation.** All loan documentation to be prepared, compiled, assembled and delivered by Broker/Seller to BRIGHTEN LENDING shall conform to the requirements of the FHA and VA, applicable law and such other documentation requirements developed by BRIGHTEN LENDING. In the event that Broker/Seller uses a documentation service or an attorney for preparation of Loan documents, the documentation service or attorney shall be subject to the prior approval of BRIGHTEN LENDING, provided, however, that in lieu of obtaining BRIGHTEN LENDING's prior approval, the documentation service or attorney may submit to BRIGHTEN LENDING a representation and warranties letter in a format acceptable to BRIGHTEN LENDING, and evidence that such documentation service or attorney has in place sufficient errors and omissions insurance in an amount and with a carrier satisfactory to BRIGHTEN LENDING.

**3.4. Loan Pricing .** All loan and origination fees and related charges to be imposed upon a borrower/applicant by Broker/Seller shall conform to applicable law and except for direct charges for costs to outside providers of services such as appraisers, credit reporting agencies, tax services, documentation preparation services, loan and sale escrows, recording fees, documentary recording and transfer taxes, premiums for title and other insurance, shall be subject to the fee and pricing limitations established from time to time by BRIGHTEN LENDING in its sole and absolute discretion Except as expressly provided for in the Addendum with respect to Broker/Seller/s compensation, Broker/Seller shall receive no other compensation of any kind in connection with the origination, reproduction, funding and closing of any FHA Loan or VA Loan, including but without limitation, any form of kick back or rebate from any third party, any fees paid outside of loan escrow, or any form of gift, reward or financial benefit. In addition, Broker/Seller agrees that except with prior written disclosure to BRIGHTEN LENDING it shall not hold any interest, either directly or through the principal owners of Broker/Seller or through any members of their immediate family, in any other settlement service provider, including, without limitation, sales or loan escrows, real estate brokers, title insurance companies, building inspection firms, pest control operator, credit reporting agency, appraisal company or document preparation service.

**3.5. Quality Control.** All loans originated by Broker/Seller and Originated/Purchased by Brighten Lending shall be subject to Brighten Lending's quality control and audit procedures which, including, but not limited to, independent verifications of loan, property and credit information. Broker/Seller grants to Brighten Lending the right for an on-site review and audit of Broker/Seller's loan policies, procedures and records to be performed by Brighten Lending's quality control staff or similarly assigned personnel. Broker/Seller will provide Internal Quality Control reports to Brighten Lending upon Brighten Lending's request. Broker/Seller warrants that there is a FHA acceptable Quality Control Plan in place. If Brighten Lending rejects a loan for purchase, Broker/Seller may substitute a different loan to fulfill the terms of the commitment, provided that such substitution is received prior to the commitment's expiration date. Substituted loans must meet the same eligibility criteria of that particular commitment. Any substitutions which occurs beyond the commitment's expiration date must be prior-approved by Brighten Lending, and may be subject to a late delivery penalty fee.

**3.6 Repurchase of Loans.** Broker/Seller agrees to repurchase any loan sold to purchaser at any time during the life of the loan upon the occurrence and/or discovery of any of the following events:

(a) Broker/Seller makes any misstatement of material fact relating to or arising out of any loan. Brighten Lending fails to obtain FHA Mortgage Insurance or such insurance lapses as a result of any act or failure to act by Broker/Seller or Mortgagor;

(b) Any material third party fraud or misrepresentation is determined to exist. This includes, but is not limited to, any misrepresentation of income i.e., funds on deposit, or employment, etc.

Loans shall be repurchased at par or Purchaser's commitment, whichever is higher, plus any additional accrued interest and cost incurred by Brighten Lending for action taken, including any servicing release fee that has been paid by Brighten Lending. Broker/Seller

agrees to repurchase any loan sold Brighten Lending by the expiration date shown in the repurchase request. Without limiting any of the Broker/Seller's rights hereunder, failure to comply may result in the following action: termination of this Agreement, appropriate legal action, and/or withholding of fees due Broker/Seller.

BRIGHTEN LENDING BROKER/ Sponsored FHA Loan Correspondent

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: \_\_\_\_\_ Name: \_\_\_\_\_  
Its: \_\_\_\_\_ Its: \_\_\_\_\_